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SUBJECT: BERGER'S FIRST 100 DAYS: HONEYMOON ENDING?

1. (SBU) Summary: President Oscar Berger,s government is off to a strong start and retains strong public approval. Berger and his team have effectively conveyed new energy and direction, launching significant initiatives to reduce and modernize the military and to open borders to freer intra-regional trade. However, the Berger government's honeymoon with the press and public may be waning. To retain the support of hopeful Guatemalans, the government must overcome a fiscal deficit, a divided Congress, a legacy of government corruption and high levels of crime and start delivering more to a needy population. An early test will be Congressional passage of a fiscal reform package. End Summary.

The Berger Style

2. (SBU) Throughout his government's first 100 days Berger has sought to distinguish his government from its discredited predecessor. He has done so by continuing to attack corruption of the past government, launching some bold initiatives and, perhaps most effectively, by conveying a change in governing style. The result has been that Berger and his government benefited, with minor exceptions, from a "honeymoon" with the mainstream press which supported his candidacy. Independent opinion polls still show Berger's popularity at over 80%, and faith in democracy reviving. However, in a sign that the honeymoon may be coming to an end, most media marked the 100-day milestone expressing public perceptions that the change in government had not yet affected them in their daily lives.

3. (SBU) Never a practiced public speaker, Berger,s public appeal stems instead from his genuine enjoyment of contact with a hopeful public and generally supportive press. Berger has set an example of his government's transparency by inviting the press along at every opportunity and even opening some Cabinet meetings to the media. He has also projected an image of austerity by reducing his entourage and security contingent, permitting closer contact with the public. The contrast in style between the Portillo government in its last year, hunkered down against allegations of systematic corruption from a hostile print media, could not be more striking.

4. (SBU) Behind the scenes, Berger has fostered a sense urgency and pragmatism in policy debates, and seems impatient to demonstrate change. Berger believes that political capital is not something to be preserved, but rather to be spent wisely. Most notable among his initial political investments have been the bold proposed reductions in the size of the military (by roughly half), which is on track for completion by June 30; the formal "re-launching" of the Peace Accords national agenda; and the process of opening the El Salvador and Honduran borders to free transit of goods to be completed by July, with a planned extension of the customs union to Nicaragua shortly.

5. (SBU) Berger,s natural spontaneity and decisiveness have sometimes led him to make general public statements which have been misinterpreted (e.g. Berger's statement in favor of human rights anywhere was misinterpreted by the press to mean the GOG would vote in Geneva to condemn human rights violations at Guantanamo Bay). Berger's impulsive style is complemented by Vice President Stein's more careful one. In addition, Stein personally leads the Government's delicate dialogue with campesinos, labor unions and other social groups. In contrast, Eduardo Gonzalez, Berger's powerful chief of staff, is suspected of playing a more Machiavellian role behind the scenes. Rival presidential aspirants suspect Gonzalez of personally orchestrating media attacks against them.

Challenges and Expectations

6. (SBU) From the outset, the Berger government has sought to manage high public expectations by citing budget constraints requiring fiscal "austerity." At a ceremony marking his Administration's first 100 days, President Berger declared his government "well established" and ready to confront a burgeoning fiscal crisis. He blamed the crisis on

mismanagement and corruption by the Portillo government, and launched a campaign to build support for necessary revenue-raising strategies by reviving and updating the 1999 "fiscal pact" reached by over 600 civil society groups. These strategies reportedly include a combination of borrowing, more comprehensive but reduced income taxes, fewer exemptions from the value added tax, better tax collection, a crackdown on contraband traffickers, and new taxes on alcohol and fuel. Berger will personally present the reforms to Congress on May 5.

17. (SBU) The negotiation of the fiscal pact will be the first major test of Berger's ability to tap private sector support, forge consensus within his own GANA coalition, and work with a divided Congress. Divisions in the ruling GANA coalition emerged during the Congressional debate over electoral reforms. The reforms finally passed on April 21, after members of the GANA coalition from the Partido Patriota (PP) broke with a reluctant GANA leadership in support of the reforms. At the insistence of the GANA, additional electoral reforms are now being negotiated among the GANA, UNE and PAN. More recently, Roxana Baldetti, the PP's Congressional leader, complained publicly that GANA leaders had not shared details of the proposed fiscal pact. Privately, she told EmbOffs that the PP will resist unpopular tax hikes. Similar divisions affect the UNE and PAN.

18. (SBU) GANA, UNE and PAN Congressional leaders have maintained a "Governability Pact" forged at the outset of the Berger government, despite severe early strains caused by an anti-corruption investigation of UNE and PAN financing derived from public funds diverted by the FRG. After the Attorney General's Office declined to issue arrest warrants against the UNE and PAN leaders, the inter-party cooperation agreement was patched up and a group of four laws including the electoral reforms were passed. Negotiations are underway for a subsequent package of laws to be approved prior to the Congressional recess starting May 15.

19. (SBU) It seems increasingly unlikely that the Governability Pact, which divided Congressional Governing Board positions among the three parties and excluded the FRG, will survive much beyond the upcoming debate over fiscal reforms. According to FRG sources, the FRG has sought to entice the GANA into an alternative power-sharing agreement by offering it complete control of the Governing Board and thereby over the Congressional agenda and budget, in exchange for a working alliance. GANA leaders have told us somewhat wistfully that the FRG, though reduced by defections, remains the most disciplined block in Congress. GANA leaders may also be tempted to violate the Pact for another reason: to accept into its ranks some of the 21 newly independent members of Congress who bolted from the opposition parties. Doing so, however, would still not give the GANA a working majority in Congress.

110. (U) The current status of forces in Congress, after taking into account those defections, is: GANA 47 deputies, FRG 31, UNE 28, PAN 14, Unionista Party 7, ANN 4, and four other small parties retain a total of 6. Four of the 21 independent deputies have announced the creation of a new party called "National Welfare" (BIEN) and eight independent ex-FRG deputies (associated with President Portillo) are reportedly considering doing the same. With 158 total deputies, a simple majority requires 80 votes, and a 2/3 majority requires 105.

Security Risks

11. (SBU) The Berger Government is most vulnerable to growing press criticism over the lack of progress curbing high crime levels. Crime was a major campaign issue, and media reports have contested the new government's claim that crime has declined during its brief tenure. Minister of Government Arturo Soto now claims that the GOG has halted the increase in crime, rather than actually reduced it. GOG Security Commissioner Otto Perez Molina, the leader of the PP and a presidential aspirant, is politically vulnerable as a result of continued public insecurity over crime rates. Although some areas of law enforcement, including counter-narcotics, show steady improvement, press and public opinion is alarmed by rates of violent street crime, which continues unabated.

Comment: USG Interests

112. (SBU) While still early to judge, the Berger government has proven responsive to USG concerns as we have raised them. To support the new government and advance USG interests the Ambassador has publicly praised worthy efforts (e.g., the military reduction, CICIACS, and stepped-up counter-narcotics activities), and pressed for early action on key bilateral issues requiring immediate GOG attention (e.g., Article 98, trafficking in persons, labor rights). On the eve of

Berger's visit to Washington the Ambassador publicly noted the emergence of a new era in US-Guatemalan relations. Berger,s recent visit to Washington cemented early gains in the relationship and his meeting with President Bush boosted Berger,s credibility at home.

113. (SBU) Over the coming year we will be evaluating the performance of the Berger government on key issues of USG interest, including:

- successful negotiation of the fiscal package;
 - military modernization/reduction;
 - the establishment of a CICIACS;
 - ratification of CAFTA;
 - the fight against corruption and impunity; particularly when it involves the present government;
 - cooperation against counter-narcotics and trafficking in persons; and,
 - effective enforcement of labor rights.
- WHARTON